

Health and Family Services

Medicaid Services

Medicaid Benefits

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	925,395,500	1,098,145,500	1,156,600,600	1,014,677,900	1,055,658,600
Current Year Appropriation	68,101,100				
Total General Fund	993,496,600	1,098,145,500	1,156,600,600	1,014,677,900	1,055,658,600
Restricted Funds					
Balance Forward	10,661,887	5,189,400	2,824,000	5,189,400	2,824,000
Current Receipts	94,931,176	76,931,100	76,646,000	76,931,100	76,646,000
Non-Revenue Receipts	304,433,237	304,104,000	309,335,100	304,104,000	309,335,100
Total Restricted Funds	410,026,300	386,224,500	388,805,100	386,224,500	388,805,100
Federal Funds					
Balance Forward	21,348,017				
Current Receipts	3,149,414,983	3,205,124,100	3,364,971,900	3,113,782,300	3,225,068,600
Total Federal Funds	3,170,763,000	3,205,124,100	3,364,971,900	3,113,782,300	3,225,068,600
TOTAL SOURCE OF FUNDS	4,574,285,900	4,689,494,100	4,910,377,600	4,514,684,700	4,669,532,300
EXPENDITURES BY CLASS					
Grants, Loans or Benefits	4,569,096,500	4,686,670,100	4,910,377,600	4,511,860,700	4,669,532,300
TOTAL EXPENDITURES	4,569,096,500	4,686,670,100	4,910,377,600	4,511,860,700	4,669,532,300
EXPENDITURES BY FUND SOURCE					
General Fund	993,496,600	1,098,145,500	1,156,600,600	1,014,677,900	1,055,658,600
Restricted Funds	404,836,900	383,400,500	388,805,100	383,400,500	388,805,100
Federal Funds	3,170,763,000	3,205,124,100	3,364,971,900	3,113,782,300	3,225,068,600
TOTAL EXPENDITURES	4,569,096,500	4,686,670,100	4,910,377,600	4,511,860,700	4,669,532,300
EXPENDITURES BY UNIT					
Medicaid Benefits	4,468,137,200	4,581,901,900	4,802,143,500	4,407,092,500	4,561,298,200
KCHIP Benefits	100,959,300	104,768,200	108,234,100	104,768,200	108,234,100
TOTAL EXPENDITURES	4,569,096,500	4,686,670,100	4,910,377,600	4,511,860,700	4,669,532,300

The Kentucky Medicaid program, under Title XIX of the Social Security Act and KRS 205.520, provides for preventive and remedial medical care for financially and medically indigent citizens in Kentucky who meet the income and resource criteria for eligibility. The following services are currently provided by Kentucky's Medicaid program: inpatient hospital, physician services, nursing facility services, outpatient hospital, home health, family planning, screening, lab, dental, transportation (both non-emergency and emergency), vision care, hearing care, intermediate care facilities for the mentally retarded (ICF/MR), pharmacy, Medicare premiums, community mental health, mental hospitals, psychiatric residential treatment facilities (PRTFs), renal dialysis services, primary care/rural health, podiatry, alternative intermediate services for mentally retarded (Supports for Community Living (SCL)), ambulatory surgical centers, home and community-based waiver (HCBS), adult day care, nurse midwife, nurse anesthetist, Hospice, preventive services, targeted case management, school-based services, home-based services for children who are ventilator dependent, durable medical equipment, portable x-ray, nurse practitioners, chiropractor, and other medically necessary diagnostic and treatment services for children in the Early Periodic Screening Diagnostic and Treatment Program (EPSDT). In addition, co-payments and deductibles are paid for qualified Medicare beneficiaries receiving the following services: physical therapy, occupational therapy, psychological, licensed clinical social worker, physician assistant, and comprehensive outpatient rehabilitative facility services.

Kentucky Medical Assistance Program (KMAP) Recipient Groups

Individuals who are eligible for KMAP benefits are classified into two groups: those who already qualify for some type of financial assistance due to eligibility for another program (categorically eligible) and those eligible for medical assistance only (medically needy).

Categorically Eligible: This group includes the following individuals: needy families with dependent children, foster care children, adults 65 years of age or older with income below eligibility criteria, the needy blind, and the needy permanently and totally disabled. Individuals in this group may receive grant money from Temporary Assistance to Needy Families (TANF), State Supplementation, or the Supplemental Security Income (SSI) programs. Any SSI or State Supplementation recipient as well as individuals who meet the technical and financial requirements of the Aid to Families with Dependent Children (AFDC) program as it existed on July 16, 1996, can qualify for Medicaid.

Medically Needy: Individuals in this group have incomes or resources above the established level to qualify for financial assistance to meet basic needs, but have insufficient income to meet all or part of their medical needs. This group includes: pregnant women and infants in households with income less than 185 percent of the Federal Poverty Level (FPL); children under age six with household income under 133 percent of FPL; and children, ages six to 19 years in families with income not exceeding 100 percent of the FPL.

2005 Poverty Guidelines	
<u>Family Size</u>	<u>Monthly Income</u>
1	\$798
2	\$1,069
3	\$1,341
4	\$1,613
5	\$1,884
6	\$2,156
7	\$2,428
8	\$2,699

Although the aged, blind, and disabled (both categorically and medically needy) represent only 43 percent of the recipient population, they account for approximately 69 percent of expenditures. The recommended budget assumes average monthly Medicaid eligibles of 717,458 in fiscal year 2007 and 731,191 in fiscal year 2008, and 50,000 each year for KCHIP eligibles.

Projecting Benefits Cost

Several forecasting models were combined in the preparation of the Medicaid Benefits projections. Both the Office of State Budget Director (OSBD) and the Department for Medicaid Services (DMS) prepared service-by-service cash forecasts. These forecasts examine past trends in categorical spending to generate projections for future cash expenditures for each classification of medical service (the hypothesis is that the best predictor of future expenditures is past expenditures - adjusted for policy changes). In addition to the cash models, the DMS and the OSBD operate a more elaborate proprietary model developed by a third-party consulting firm, PriceWaterhouseCoopers (PWC). That model includes a separate forecast of eligibility for each class of Medicaid recipient: Aged, Blind, Disabled; TANF/SOBRA children (with and without Medicaid); TANF/SOBRA adults (with and without Medicare); categorical eligibility associated with foster care; and a residual category for all other eligibility categories. Eligibility is used to transform the expenditure data into a "cost per eligible" for seven bundles of Medicaid services.

Provider Taxes

Although the majority of the funds that the Commonwealth uses to match federal Medicaid dollars are derived from the General Fund, approximately 20 percent of the program's fiscal year 2007 and 2008 expenditure match will be secured from dedicated provider assessments. The assessments are levied on hospitals, home health agencies, alternative community services, long-term care facilities and Passport Managed Care organization. The Governor's recommended budget assumes continuation of the current level of provider tax collections to maintain existing reimbursement levels for hospitals.

Disproportionate Share Hospital (DSH) Payments

The Governor's recommended budget includes funding for Disproportionate Share Hospital (DSH) payments of \$197,196,650 in fiscal year 2006 and \$196,289,738 in fiscal year 2007 and 2008. Disproportionate Share Hospital payments to state mental hospitals are budgeted at approximately \$34,727,020 in fiscal year 2006 and \$34,567,310 in each year of the biennium. This budget includes match from the university teaching hospitals in order to access the portion of DSH funds for those facilities.

Passport Managed Care Plan

The Governor's recommended budget assumes that the Region Three Medicaid managed care partnership (Jefferson and surrounding counties) will continue to operate.

Benefit Match Rate

The Governor's recommended budget assumes a federal medical assistance percentage (FMAP) of 69.50 percent for state fiscal year 2007 and 69.58 percent for state fiscal year 2008. The federal Medicaid match rate assumed for KCHIP is 78.65 percent in fiscal year 2007 and 78.71 percent in fiscal year 2008.

Quality and Charity Care Trust Fund

To the extent that all parties agree, the General Fund appropriation of the Quality and Charity Care Trust Fund may be transferred to the Department for Medicaid Services Benefits.

Kentucky Children's Health Insurance Program (KCHIP)

The Kentucky Children's Health Insurance program was initiated under Title XXI of the Social Security Act and serves eligible children up to 200 percent of the federal poverty level.

The Governor's recommended budget funds KCHIP at a total of \$104,768,200 in fiscal year 2007 (50,000 children) and \$108,234,100 in fiscal year 2008 (50,000 children). The budget anticipates the continued spend-down of state funds from the "Kentucky Children's Health Insurance Program Trust Fund" as established in KRS 205.6478 and reallocated Federal Funds from other states unspent CHIP allocations. This would carry Kentucky's CHIP program through the 2006-2008 biennium. However, as other states' CHIP programs accelerate, there will be fewer funds available for reallocation in future periods, which could leave Kentucky's CHIP program seriously underfunded in future biennia.

Medicare Part D

The budget includes the projected impact of implementation of the Medicare Part D Pharmacy program which began January 1, 2006.

Policy

The Cabinet's budget request was based on the Medicaid program as it existed on September 30, 2005. Over the course of the upcoming biennium, the Governor's recommended budget presumes continued implementation of Medicaid Modernization, including approval of the Kentucky Health Choices Section 1115 Waiver, continued focus on disease management and appropriate provider practice and patient utilization as well as continued emphasis on prudent cash management practices. These additional cost containment features, some of which have recently been implemented through the administrative regulation process, are incorporated in the recommended budget.

The Governor's budget recommendation includes a current year General Fund appropriation of \$68,101,100, an additional Restricted Fund appropriation of \$5,021,900 and an additional Federal Fund appropriation of \$215,142,900. Additional General Fund of \$89,282,400 and additional Federal Funds of \$158,162,200 are recommended for fiscal year 2007. For fiscal year 2008, the Governor's recommended budget includes an additional General Fund appropriation of \$130,263,100 and additional Federal Fund appropriation of \$269,448,500.

The Governor's recommended budget provides additional funds totaling \$6,393,800 (100 slots) in fiscal year 2007 and \$19,249,900 (100 slots) in fiscal year 2008 for a total of 200 slots by the end of fiscal year 2008 to continue the rollout of the Supports for Community Living program.

The Governor's recommended budget continues to support the Breast and Cervical Cancer Treatment Waiver program.

